BC Timber Sales Business Plan 2012/13-2014/15

Ministry of Forests, Lands and Natural Resource Operations

ECONOMIC PROSPERITY - SUSTAINABLE RESOURCES - EXCELLENCE

BRITISH COLUMBIA

Ministry of
Forests, Lands and
Natural Resource Operations

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BCTS
BC Timber Sales

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Organizational Overview

BC Timber Sales is an autonomous program within the Ministry of Forests, Lands and Natural Resource Operations with financial and operational independence. BC Timber Sales has an integral role in supporting the Forest Sector Strategy in the BC Jobs Plan and supports the Ministry's objective to "Generate revenue from B.C.'s natural resources."

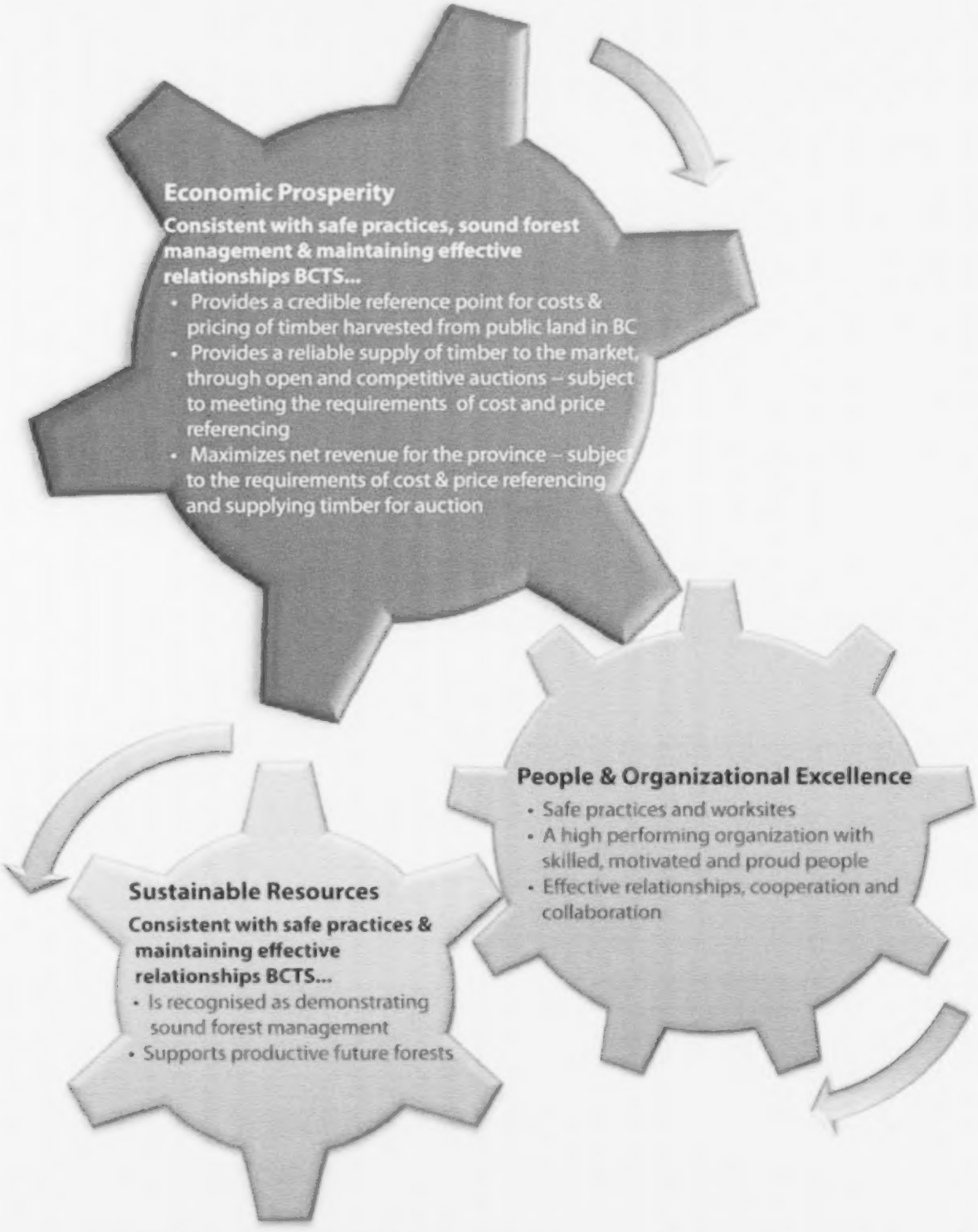
BC Timber Sales provides these benefits by planning and developing, and selling through auction, a substantial and representative portion of the province's annual available timber volume. The bid prices received from auctioned timber drive the Market Pricing System (MPS) for setting stumpage in coastal and interior operating areas of the province. BC Timber Sales costs of developing timber and regenerating sites also provide data for the Tenure Obligation Adjustment, contributing another integral part of the MPS.

Despite its operational and financial independence, BC Timber Sales remains a proud part of the Forest Service and maintains mutually productive and beneficial relations with all other parts of the Ministry of Forests, Lands and Natural Resource Operations.

Since inception BC Timber Sales has contributed to rural economies, supporting jobs and families by competitively auctioning over 100 million cubic metres of timber, directly purchasing over $900 million in services, and earning over $353 million in net revenue for the Province. In addition, BC Timber Sales licensees have harvested over 90 million cubic metres of timber.

Organizational Overview

BC Timber Sales has four goals and three principles in its Business Plan organized under three high level outcomes – Economic Prosperity, Sustainable Resources and People & Organizational Excellence.


Economic Prosperity
Consistent with safe practices, sound forest management & maintaining effective relationships BCTS...
• Provides a credible reference point for costs & pricing of timber harvested from public land in BC
• Provides a reliable supply of timber to the market, through open and competitive auctions – subject to meeting the requirements of cost and price referencing
• Maximizes net revenue for the province – subject to the requirements of cost & price referencing and supplying timber for auction
People & Organizational Excellence
• Safe practices and worksites
• A high performing organization with skilled, motivated and proud people
• Effective relationships, cooperation and collaboration
Sustainable Resources
Consistent with safe practices & maintaining effective relationships BCTS...
• Is recognised as demonstrating sound forest management
• Supports productive future forests

BC Timber Sales Strategic Plan

The BC Timber Sales Strategic Plan drives overall strategic direction of the organization, positioning us for current and future operating environments. BCTS has identified three key Strategic Priorities.

1. **Excellence in Delivering the Current Mandate & Core Business**
2. **Trust in BCTS**
3. **Long Term Success of BCTS**

The strategic and operational focus of BC Timber Sales is influenced by ongoing direction from the provincial government, global economic forces, the wood products market, social expectations and values, changes to the forest resource, workforce dynamics, and other operational and environmental impacts.

The Strategic Plan guides development of the annual BCTS Business Plan which establishes how the strategic priorities and broad strategies will be addressed and resourced over the next three years.

As such, the following Business Plan provides the framework for day-to-day operations and activities of BC Timber Sales and reflects what will be achieved with existing resources, while the priorities and strategic outcomes of the Strategic Plan reflect a broader perspective and longer term vision.

Economic Prosperity – Be a Credible Reference Point

Goal 1: Be a credible reference point for costs and pricing of timber harvested from public land in British Columbia

Goal 1 has two objectives: ensure our data is complete, accurate, reliable, and verifiable, and provide sufficient data to the Ministry to support the Market Pricing System

Creating a globally competitive, market-based operating climate is a key aspect of the Forest Sector Strategy in the BC Jobs Plan. BC Timber Sales directly supports a market-based operating climate by providing credible data for costs and pricing of timber harvested from public land in BC. Through the achievement of this goal BC Timber Sales also contributes to the achievement of the Ministry's Service Plan objective to "Generate revenue from B.C.'s natural resources."

For BC Timber Sales data to be credible, it is important for the volume of market transactions to be at a level sufficient to support the Ministry's Market Pricing System (MPS). BC Timber Sales tracks the timber volume it auctions as a percent of the total timber volume projected to be harvested each year. This is an indicator of its success in developing and auctioning a sufficient volume of timber, to establish credible costs and pricing within an environment of changing market conditions and demand.

Performance Measure: BCTS Auction Volume as a percent of projected provincial harvest volume			
	2012-13	2013-14	2014-15
Target	21%	22%	22%

Measure Description: *BCTS timber volume auctioned (Section 20 Timber Sales Licences) in the year as a percent of the total projected provincial harvest volume for the year.*

Economic Prosperity – Be a Credible Reference Point

Goal 1: Be a credible reference point for costs and pricing of timber harvested from public land in British Columbia

Objective 1: BC Timber Sales data is complete, accurate, reliable and verifiable

For BC Timber Sales to be a credible reference point and support sound business decisions, it is critical that our data be complete, accurate, reliable and verifiable. Within this context, being a credible reference point involves all data related to carrying out our business, not just cost and pricing data used in the Market Pricing System. Key to BC Timber Sales achieving this objective is the quality and integrity of all cost, pricing and resource management data used to achieve business and resource management objectives.

Performance Measure: Data Quality Management System (DQMS)			
	2012-13	**2013-14**	**2014-15**
Target	DQMS Developed	DQMS 50% Implemented	DQMS 100% Implemented

Key Strategies:

- Develop and implement a Data Quality Management System to ensure complete, accurate, timely and consistent population of data by all Business Areas to support cost and financial accounting, and business and performance management requirements.
- Implement the BC Timber Sales Cost Accounting System, as a method to allocate all direct and indirect costs to cut blocks.
- Continue to work with the Pricing Branch within our division of the Ministry to ensure our data used for market pricing is accurate, complete and reliable.

Economic Prosperity – Be a Credible Reference Point

Objective 2: Timber sales sold through auction, in total, provide the Ministry with sufficient data to support the Market Pricing System

Goal 1: Be a credible reference point for costs and pricing of timber harvested from public land in British Columbia

A key strategy in the Ministry's Service Plan is to ensure that BC Timber Sales continues to provide credible data to establish market-based stumpage rates. This means that BC Timber Sales has to develop and auction sufficient timber sales to provide statistically credible data to the Market Pricing System.

There is no single measure that completely demonstrates BC Timber Sales' success in providing the Ministry with sufficient data. The following measure – new for 2012/13 – indicates BC Timber Sales success in auctioning timber that holistically is representative of the timber species and grades being harvested by the Major Licensees.

Performance Measure:	**Percent of BCTS auction volume harvested compared to that of Major Licensees (for each significant species and grade)**	
	Coast	**Interior**
Target	80%	80%
In total, the percent of BCTS auction volume harvested for each significant species and grade - is within 10 percentage points of the of Major Licensees' - 80 percent of the time		

Measure Description: *The percent of volume harvested from BC Timber Sales' auctioned volume (as a percentage of the total timber volume harvested from BC Timber Sales auctioned volume) is within 10 percentage points of the volume harvested by the Major Licensees (as a percentage of the total timber volume harvested by the Major Licensees for each major species and grade 80% of the time.)*

Key Strategies:

- Continue to monitor and review trends in collaboration with the Pricing Branch of the Ministry of Forests, Lands and Natural Resource Operations, and take appropriate actions to ensure the number of timber sale transactions in each timber attribute group satisfies the needs of the Market Pricing System.
- Develop and modify Business Area timber sales schedules to ensure the number of timber sale transactions in each timber attribute group (for BC Timber Sales as a whole) satisfies the needs of the Market Pricing System.
- Compile a five year view of timber supply and BCTS sales volume by management unit to support future decisions.
- Engage experts to provide an independent analysis and opinion on the risks and potential impacts to market pricing, related to decreasing BCTS apportionments.

Economic Prosperity – Provide a Reliable Supply of Timber

Goal 2 has two objectives: develop sufficient timber to optimize the timber volume offered, and provide a reliable supply of BCTS timber to market

Goal 2: Provide a reliable supply of timber to the market, through open and competitive auctions – subject to meeting the requirements of cost and price referencing.

Providing a reliable, competitive supply of fibre to market is a significant objective of the Forest Sector Strategy in support of creating a globally competitive, market-based operating climate and prosperous rural forest economies. Achievement of this BC Timber Sales goal also directly contributes to the Ministry goal of "Productive, thriving natural resource sector and resilient communities."

Since inception BC Timber Sales has offered over 130 million and sold 106 million cubic metres of timber though competitive auctions in rural forest economies. The development, auction, harvesting and processing of this timber has helped create and sustain jobs and supported rural communities over the last nine years. As global markets recover over the next three years, BC Timber Sales will respond by increasing its volume sold to meet anticipated increased demand for timber.

Performance Measure: Timber Volume Sold			
	2012-13	**2013-14**	**2014-15**
Target	12.24M m3	12.9 Mm3	13.0 Mm3

Measure Description: *Timber volume sold is an indicator of BC Timber Sales' success in analyzing market conditions and providing a reliable supply of timber to the market that our customers see as economically viable.*

Economic Prosperity – Provide a Reliable Supply of Timber

Objective 1: Develop sufficient timber to optimize timber volume offered

Goal 2: Provide a reliable supply of timber to the market, through open and competitive auctions - subject to meeting the requirements of cost and price referencing.

One aspect to providing a reliable supply to the market is to optimize the amount of timber available for offer at auction. This means developing sufficient and appropriate volumes of timber inventory to provide Business Areas with the flexibility to react to market conditions within the requirements of being a credible reference point.

Over the last few years BC Timber Sales experienced significant decreases in demand for timber in many areas. This decrease in demand has resulted in increased inventory levels of developed timber. This reduces the need for BC Timber Sales to develop as much inventory as in previous years, and allows BC Timber sales to maintain the desired flexibility to react to market conditions. Over the next three years demand is expected to increase and the objective of BC Timber Sales is to develop sufficient timber volume to respond to this increased demand, while at the same time reducing overall inventory levels.

Performance Measure: Timber Volume Developed (ADV)			
	2012-13	**2013-14**	**2014-15**
Target	12.2 M m3	13.3 Mm3	13.3 Mm3

Measure Description: *Timber volume developed is the annual amount of timber developed and ready for advertising and auction.*

Key Strategies

- Manage timber development at the Business Area level to ensure the volume of developed timber inventory does not exceed two years of projected harvest. This balances the need for creating inventory flexibility with the need to minimize total inventory levels to manage cash flows, and inventory risk.
- At a Business Area level, plan out sufficient Ready to Develop Volume to support the achievement of the next year's annual developed timber targets.
- Explore opportunities to work cooperatively, or in partnership with other stakeholders, to increase available timber volume that can be developed for auction by BC Timber Sales and provide mutual benefits.

Goal 2: Provide a reliable supply of timber to the market, through open and competitive auctions - subject to meeting the requirements of cost and price referencing.

Objective 2: The volume of timber supplied to the market by BC Timber Sales is reliable

Reliability of timber supply is also important to BC Timber Sales achieving this outcome. BC Timber Sales shows reliability in supply by advertising and auctioning timber consistent with its annual sales plans.

Performance Measure: Percent of timber volume advertised in quarter planned	
	2012-13 to 2014-15
Target	90%

Measure Description: *The percent of total timber volume advertised in the quarter planned as set out in annual Business Area sales plans.*

Key Strategies

- Maintain a critical focus on provincial and local timber markets and on market needs by listening to customers and performing market analysis at both program and Business Area levels.
- Work with contractors to ensure planned developed inventory volume is delivered on time to meet sales schedules.
- Manage the amount of developed timber inventory available for sale within each Business Area to ensure one year of planned sales volume is available for sale to start each fiscal year.
- Continue to develop Business Area annual sales schedules that:
  - Offer timber sales timed to integrate with industry harvest operations throughout the year;
  - Explore options for coordinated sales schedules amongst Business Areas and implement coordinated or joint sales schedules where practical;
  - Have targets established based on market analyses; and
  - Endeavour to minimize potential no-bid sales subject to forest management constraints and the requirements of cost and price referencing and supplying timber for auction.
- Work collaboratively with stakeholders to identify and address opportunities to improve processes, and reduce risks, in the efficient and effective development and advertising of timber as scheduled.

Goal 3: Maximize net revenue for the province – subject to the requirements of cost and price referencing and supplying timber for auction

Goal 3 has three objectives: maintain gross profit margin, reduce period costs, and maximize revenue

This goal supports the provincial government and the ministry as major contributors to the current and future economic health of the Province. It also directly contributes to the Ministry's objective to, "Generate revenue from B.C.'s natural resources."

BC Timber Sales operates under a self financing Special Account and must over the long term, generate sufficient revenue to finance its cash requirements (i.e. earn a profit). In 2011/12 BC Timber Sales ended the year with a small $1.3 million profit after five years of net losses.

Over the period of this Business Plan, BC Timber Sales is targeting to earn $86.7 million in total net revenue for the province. This is $69.3 million more than its previous three year plan. In reaching this target BC Timber Sales will continue to achieve its mandate to provide a credible reference point for costs and pricing of timber harvested from public land and provide a reliable supply of timber to the market, through open and competitive auctions. Within these constraints BC Timber Sales has been and will continue to explore options and take actions to reduce costs, increase revenues, and manage its cash requirements to emerge from this downturn a more effective and efficient organization.

Performance Measure: Net Revenue			
	2012-13	**2013-14**	**2014-15**
Target	$19.1 M	$35.4 M	$32.2 M

Measure Description: *Net revenue is a key indicator of the success of BC Timber Sales in generating value and revenue return for the province and being self sustaining. The measure is calculated as gross revenue less capitalized expenses.*

Economic Prosperity – Maximize Net Revenue for the Province

Objective 1: Increase or maintain gross profit margin

Goal 3: Maximize net revenue for the province - subject to the requirements of cost and price referencing and supplying timber for auction

Gross profit margin is a key financial indicator used to assess the profitability and efficiency of a company's core activity. In the case of BC Timber Sales, that core activity is planning, developing, and auctioning Timber Sales Licences.

It is a measurement of how much revenue from each cubic metre of timber sold and harvested, after deducting the costs of goods sold and roads amortization per cubic metre, is available to cover overhead, and other expenses such as Silviculture Liability Expense. Without a sufficient profit margin on its timber, BC Timber Sales would be unable to adequately fund its other costs and earn a profit (Net Revenue).

An organization can increase or maintain its gross profit margin by holding unit costs constant and increasing gross revenues, by maintaining constant gross revenues and decreasing unit costs, or by increasing gross revenues and decreasing unit costs.

Performance Measure: Gross profit margin per cubic metre harvested			
	2012-13	**2013-14**	**2014-15**
Target	$7.48 m3	$8.80m3	$8.84m3

Measure Description: *Gross profit margin = (Gross revenue less Cost of Goods Sold less Roads amortization) divided by Volume Harvested. The gross profit margin per cubic metre shows how much profit on average BC Timber Sales is extracting out of each cubic metre of timber harvested.*

Key Strategies:

- Develop and implement continuous improvement strategies such as "The Lean Approach" to increase gross profit margins at a Business Area level.
- Through our system of teams, develop and implement continuous improvement strategies to increase the consistency and effectiveness of corporate business processes for the major cost of inventory activities – salaries, administration, planning, sales development, and access.
- Perform Revenue – cost valuations on all proposed cut blocks prior to development to assess their economic viability to potential bidders and their potential contribution to BC Timber Sales gross profit margins.
- Manage our systems of industrial roads at the Business Area level to contain and/or reduce its amortization expense per cubic metre of volume harvested impact on gross profit margins.

Economic Prosperity – Maximize Net Revenue for the Province

Objective 2: Increase efficiency and cost effectiveness to control or reduce period costs while maintaining customer value

Goal 3: Maximize net revenue for the province - subject to the requirements of cost and price referencing and supplying timber for auction

Controlling and reducing costs within the requirements of cost and price referencing and supplying timber for auction, is a key part of BC Timber Sales' efforts to maximize net revenue. Increasing the efficiency and effectiveness of processes will ensure that the organization continues to have sufficient financial resources to deliver on its current mandate and core business. BC Timber Sales will achieve this objective by focusing its continuous improvement activities on the following key period costs; Silviculture Liability Expense, Administrative Overhead (Salaries, Admin), Road and Bridge Maintenance, and Harvest Conformance.

Performance Measure: Period costs (capitalized) per cubic metre of volume harvested			
	2012-13	**2013-14**	**2014-15**
Target	$6.02 m3	$5.97m3	$5.95m3

Measure Description: *Cost per cubic metre = (Silviculture Liability Expense + Administrative Overhead (Salaries, Admin) + Road and Bridge Maintenance + Harvest Conformance) divided by volume harvested. This measure shows how well BC Timber Sales is managing its non-inventory development and non-capital road construction costs.*

Key Strategies

- Undertake a continuous improvement process to increase the efficiency and effectiveness of silviculture practices and liability reporting to reduce silviculture liability costs by $5 million/year by 2013/14.
- Through our system of teams implement continuous improvement practices such as "The Lean Approach" to increase the consistency and effectiveness of business processes and reduce costs within each of the other major period cost activity areas – salaries, administration, harvest conformance and road maintenance.
- Identify and pursue opportunities to decrease overhead fixed costs and add value to others through collaboration and cost recoveries.

Economic Prosperity – Maximize Net Revenue for the Province

Goal 3: Maximize net revenue for the province - subject to the requirements of cost and price referencing and supplying timber for auction

Objective 3: Maximize revenue and pursue business opportunities to increase revenues

As the forest sector recovers and demand for timber increases, the prices being bid and paid by customers for BC Timber Sales volume is expected to continue to increase over the next three years. As well, the volumes sold and harvested are also expected to increase over this time. Together they are expected to produce increasing gross revenue. Although the prices bid and volumes of timber harvested by licensees is largely outside BC Timber Sales direct control, through the key strategies outlined below BC Timber Sales will continue to work to enhance the projected revenue trend.

Performance Measure: Gross revenue			
	2012-13	**2013-14**	**2014-15**
Target	$178.1 M	$187.3 M	$191.2 M

Measure Description: *Gross revenue earned by BC Timber Sales is a measure of its performance in maximizing revenues earned and contributing towards maximizing net revenue.*

Key Strategies:

- Continue to regularly assess market demand to ensure BC Timber Sales can take advantage of opportunities to generate new or increased stumpage revenues.
- Regularly perform local market and business analysis on any timber sales offered that receive no bids, and integrate that information into future decisions.
- Within the constraints of providing a credible reference point for pricing of timber for the Market Pricing System, strive to increase the percent of timber sales offered at total cost and ensure all timber sales are offered at a minimum of variable cost.
- Maximise the use of Forests For Tomorrow (FFT) funding available to priority areas to increase the amount of low quality (beetle-killed) fibre that BC Timber Sales can market to generate increased revenue.

Principle 1: Sustainable Forest Management

High-quality forest and environmental management practices are integral to our mandate, the way we conduct business, and in providing sustainable forest benefits to British Columbians.

Principle 1 has three objectives: sound forest management, deliver on stewardship obligations, and productive future forests

Objective 1: Recognized as demonstrating sound forest management

Certification of forestry activities is a best practice in forest and sustainable resource management, and is important for market access. BC Timber Sales is committed to achieving third-party certification of our forestry operations. In collaboration with licensees, permit holders and contractors, we have achieved International Organization for Standardization (ISO 14001) certification of an Environmental Management System in all Business Areas. We have a corporate strategy for certification under Sustainable Forest Management (SFM) standards and 99% of our operational area is SFM certified. SFM certification provides assurance to the public and customers that timber originates from legal and well-managed sources.

Performance Measure: Percent of timber volume certified under an SFM system	
Target	100%

Measure Description: *Percent of BC Timber Sales Business Areas with SFM certification, such as Canadian Standards Association (CSA), Sustainable Forestry Initiative (SFI), or Forest Stewardship Council (FSC). This measure is an indicator of BC Timber Sales' success in demonstrating and being recognized for having sound forest management practices.*

Key Strategies:

- Third-party certification of our forestry operations
  - Maintain ISO 14001 Environmental Management System third-party certification applicable to all Business Areas through a single corporate registration certificate.
  - Target 100% of our operational area to be certified under a Sustainable Forest Management (SFM) standard (CSA, FSC, SFI)
  - Maintain SFI single certificate in order to improve integration and streamlining, increase certification consistency, and improve efficiency.
- Proactively engage in emerging forest management initiatives such as species at risk recovery and ecosystem-based management in cooperation and consultation with other government agencies, industry and stakeholders.
- Use Forest Practices Board audit findings and recommendations, as applicable, to improve forest management practices.

Objective 2: Deliver on stewardship obligations

Principle 1: Sustainable Forest Management

It is the policy of BC Timber Sales to:

- Comply with all relevant environmental legislation, regulations and the other requirements to which we subscribe;
- Strive for excellence in forest management by continually improving the performance of resource management activities and practices;
- Maintain a framework that sets and reviews environmental objectives and targets, and promotes the prevention of pollution associated with BCTS forestry activities;
- Monitor and evaluate key BCTS forestry operations; and,
- Communicate BCTS business activities and policies to all staff and make them available to the public.

Performance Measure: Number of EMS/SFM external audit major non-conformances	
Target	zero

Measure Description: *The absence of major non-conformances in external audits is a measure of BC Timber Sales' success in delivering on its stewardship obligations.*

Key Strategies:

- Regularly conduct internal audits of our operations and use the findings to continuously improve practices.
- Ensure all BCTS silviculture obligations are recognised and effectively discharged.
- Ensure all BCTS industrial road deactivation obligations are recognised and effectively discharged.
- Regularly report and take corrective actions on EMS/SFM minor non-conformances.

Through BCTS Seedling Services ensure:

- a secure supply of seeds for future BCTS needs and an effective and reliable supply of quality seedlings to meet obligations.

Objective 3: Productive future forests

Principle 1: Sustainable Forest Management

Addressing future shortfalls in the timber supply caused by catastrophic disturbance is the leading priority for the current reforestation and timber supply mitigation programs of the Ministry through the Forests For Tomorrow (FFT) program. One of the program's goals is to: "Improve the long term timber supply and establish resilient forest ecosystems and habitat, through reforestation." BC Timber Sales supports the Ministry's goal by providing quality seedlings and by using its economies of scale and expertise to deliver silviculture services through contracts for FFT.

Performance Measure: Hectares of Ministry NSR planted	
	2012-13
Target	4648 ha

Measure Description: *The hectares of Ministry NSR planted by BCTS for the Forests for Tomorrow program indicates the incremental contributions of BC Timber Sales towards productive future forests above its own reforestation obligations.*

Key Strategies

- Collaborate with Forests For Tomorrow to use BCTS skills, infrastructure and economies of scale to reduce costs and increase the outputs FFT can achieve from available funding and reduce BCTS fixed costs.
- Through BCTS Seedling Services provide FFT and Districts with quality cost effective seedlings for reforestation.

Principle 2: Forest Sector Safety

Principle 2 has two objectives: safe practices and worksites and improving safety in the Forest Sector

BC Timber Sales Safety Policy:

- BCTS is committed to maintaining an organisational culture where all staff proactively participate to ensure a safe and healthy workplace as a fundamental component of everyday business.
- BCTS supervisory personnel will be accountable for ensuring employees are properly trained for their jobs, making employees aware of safety hazards, ensuring unsafe action or conduct is not tolerated in the workplace, and endorsing sound health and safety work practices on a daily basis.
- BCTS workers will be accountable for conducting their work activities in accordance with sound health and safety practices and will endorse these practices to their fellow workers.

Objective 1: Safe BCTS practices and worksites

A safe and healthy workplace is integral to the success of BC Timber Sales and the organization is strongly committed to the safety of all individuals affected by its operations – employees, contractors, licensees and the public. BC Timber Sales advocates and promotes increased safety awareness and a culture of safety in all its practices and operations.

The organization is committed to continually improving safety in the forest sector and having safe worksites by demonstrating and promoting safe forest management practices and implementing a systematic approach to safety in all areas.

Performance Measure: Medical Incidence Rate (MIR) per 100 FTE's	
Target	less than 3.07

Measure Description: *The Medical Incidence Rate is the number of recordable medical incidences per 100 full time equivalent employees per year. It provides an indication of the effectiveness of BC Timber Sales' Safety Management Program.*

Key Strategies:

- Maintain SAFE Companies certification.
- Through the BCTS Safety Working Group promote safe practices and ensure a systematic approach to safety in all areas.
- Ensure leadership commitment of Safety is demonstrated by ensuring it is a responsibility of a BCTS Headquarters senior manager.
- Undertake a business improvement review of the BCTS Safety Management Program.

Objective 2: Improve safety in the forest sector

Principle 2: Forest Sector Safety

In the past fatalities and serious injuries were at an unacceptably high level in the British Columbia forest industry for many years. BC Timber Sales responded to this critical situation by subscribing to the Health and Safety Accord of the British Columbia Forest Industry, which states that all fatalities and injuries are preventable, and by supporting the Forest Safety Council mission to eliminate all fatalities and serious injuries in the forest sector. While BC Timber Sales or any other single entity cannot control safety within the sector, BC Timber Sales believes that it has the responsibility through its actions and policies to support, promote, and contribute towards the common goal.

Outcome Indicator: Number of Forest Sector fatalities and serious injuries	
Target	reduction

Outcome Description: *A reduction in the number of forest sector fatalities and serious injuries indicates progress towards the goal of the Forest Safety Council of zero fatalities and serious injuries.*

Key Strategies:

- Require all parties working on Timber Sale Licences or bidding on BC Timber Sales contracts that involve on the ground field work to be SAFE certified.
- Continue as a member of BC Forest Safety Council, promoting workplace safety in the forest sector.
- Collaborate with and support the Ministry in their safety efforts.
- Together with other partners, engage in various safety related initiatives supported by industry through the Council to ensure BC Timber Sales parallels the sector in safety performance.

Principle 3: Effective relationships

Principle 3 has two objectives: cooperative and collaborative agreements with First Nations and communities, and effective relationships with stakeholders

Effectiveness in building and maintaining strong relationships is critical to delivering superior, enduring performance. Opportunities without relationship lack imagination and action without relationship lacks conviction. Operating on the land base BC Timber Sales, is inextricably linked to First Nations, communities and our stakeholders such as: clients, customers, the forest industry, and the Ministry of Forests, Lands and Natural Resource Operations.

Objective 1: Cooperative and collaborative agreements with First Nations and Communities

Consistent with government's goals for New Relationships with First Nations and Aboriginal People and its commitments to rural communities and families, BC Timber Sales recognizes that effective and productive relationships are integral to productively engaging with First Nations that have aboriginal interests and communities with forest sector interests (such as community forest agreements).

By working collaboratively through a business to business relationship, there are opportunities to gain efficiencies and more effectively manage our resources, adding value and achieving mutual benefits greater than we would have achieved individually.

Performance Measure: Percent of BC Timber Sales volume sold managed under a form of agreement	
Target	increase

Measure Description: *The percent of BC Timber Sales volume sold that is managed under a formal agreement with a First Nation or a community indicates BC Timber Sales success in developing effective business relationships with others operating on the land base.*

Key Strategies:

- Seek out and actively promote collaboration and possible business to business opportunities for mutual benefit.
- Develop a corporate framework, strategy and policy guidance for pursuing business to business opportunities.
- Provide corporate resources to support Business Areas in developing successful, mutually beneficial forest sector business to business relationships and agreements with First Nations and Communities.

People and Organizational Excellence – Effective Relationships

Objective 2: Effective Relationships with Stakeholders

Principle 3: Effective relationships

BC Timber Sales has many stakeholders such as customers, suppliers, others within the Forest Sector and the Ministry that interact with, contribute to, or rely on BC Timber Sales. These stakeholders in trusting, mutually beneficial relationships with BC Timber Sales, support its long term success; they are key collaborators and partners that BC Timber Sales relies and depends upon - they are invested in the success of BC Timber Sales.

Key Strategies:

- Continue to build relationships with industry and our contractors through such activities as the Timber Sales Advisory Council and the BCTS Contractor Advisory Committee.
- Maintain Service Agreements with key internal (government) service providers.
- Participate in broader ministry and government initiatives that have implications for BCTS to influence the outcome towards mutual benefit where appropriate.
- Develop a community engagement strategy.

Goal 4: A high performing organization with skilled, motivated, and proud people

Goal 4 has two objectives: continuous improvement of our operations and practices, and transparent and effective communications

To effectively realize its vision, achieve its mission and goals, deliver superior performance, and make a distinct and lasting impact, BC Timber Sales needs to be a high-performing organization whose employees are skilled, motivated and proud of what they do.

BC Timber Sales and its people continuously learn, innovate and lead themselves through change and complexity. Versatility enables us to succeed in the ever-changing and increasingly complex environmental, societal, technological and business surroundings in which we operate.

BC Timber Sales and its people share a set of common values, practices and attitudes that contribute to their success and make the organization a great place to work. Our culture is based on performance management (recognizing each others' achievements and contributions and being accountable for our performance), being engaged, and practicing workplace wellness.

BC Timber Sales consistently delivers exceptional results over a long period of time, beyond any single leader, great idea, or market cycle. When hit by set backs, BC Timber Sales has bounced back stronger than ever. The key to the lasting endurance of BC Timber Sales is effective workforce planning, relationships with our internal and external stakeholders and partners, and continuous evaluation and improvement of our people practices.

Performance Measure: Workplace Engagement Survey (W.E.S.) Score	
Target	Increase in 2013

Measure Description: *The Workforce Engagement Survey is conducted by BC Stats and measures the overall engagement of staff. Staff engagement is an indicator of peoples' level of commitment to and satisfaction with their job and organization The survey is conducted biannually with the next survey in the spring of 2013.*

Objective 1: Continuously improve BC Timber Sales operations and practices

Goal 4: A high performing organization with skilled, motivated, and proud people

Key Strategies

- Undertake BCTS Opportunities Review to support the long term success of BCTS
- Make effective use of technology to improve the efficiency of operations, and information management.
  - Develop a corporate strategy to make full use of advanced technology such as satellite applications and computer modelling to deliver on business goals.
  - Develop a corporate strategy to provide staff with the technology to do their jobs more effectively such as data loggers, handhelds, software and hardware.
- Increase the business acumen of staff to increase operational effectiveness:
  - Improve performance measures and implement a business performance dashboard.
  - Implement net revenue as a key performance measure for Business Areas.
  - Develop and deliver accounting courses for each of the major activity envelopes (Sales, Access and Silviculture) to increase understanding of how operational decisions impact on financial performance.
- Develop a corporate strategy for attracting new capable and talented people that bring knowledge, skills and experience that will support and strengthen our business success.
- Renew our focus on engaged staff by supporting our people through training, development and recognition.
  - Develop a new BCTS learning strategy.
  - Implement an online learning program.
  - Renew BCTS recognition policy and program.
- Renew BCTS Teams (Working Group) structure with a focus on continuous improvement and the application of quality management, Kaizen, and Lean principles and activities to increase the effectiveness of practices and processes.
  - Centralize financial resources at BCTS HQ to support a revitalized system of teams.
  - Complete implementation of the Contract Quality Management System.
  - Continue TSL Tender Package Quality Assurance audits.

Objective 2: Transparent & Effective Communications

Goal 4: A high performing organization with skilled, motivated, and proud people

Key Strategies:

- Develop and implement a corporate communications strategic plan.
- Update and renew BCTS Strategic Plan.
- Continue to publish annual BCTS Business Plans, and annual and quarterly performance reports.
- Have a visible presence at forest sector conferences and trade shows.
- Update and refresh internal and external web sites.

Appendix 1 Resource Summary 2012/13 to 2014/15

	2011/12 Actual	2012/13 Plan	2013/14 Plan	2014/15 Plan
Special Account Opening Balance ($millions)	**$200.2**	**$211.3**	**$231.6**	**$260.0**
Gross Revenue	$136.6	$178.1	$187.3	$191.2
Less: Expenses (Capitalised)	(135.3)	(159.0)	(151.9)	(159.0)
Net Revenue (Loss)	$1.3	$19.1	$35.4	$32.2
Financing Transactions ($millions)				
Cost of Developed Timber Inventory	($44.8)	($58.9)	($59.9)	($48.6)
Fish Habitat Inventory	(0.1)	(0.3)	(0.3)	(0.3)
Seed Inventory	(1.9)	(2.7)	(2.7)	(2.7)
Total Financing Transactions	**($46.8)**	($61.9)	**($62.9)**	**($51.6)**
Capital Expenditures ($millions)				
Capital - Roads	($14.1)	($27.0)	($26.9)	($23.2)
Capital – Non- Roads	0	(0.5)	(0.5)	(0.6)
Total Capital Budget	**($14.1)**	($27.5)	**($27.4)**	**($23.8)**
Working Capital Adjustments	$70.7	90.6	83.3	76.2
Special Account Ending Balance ($millions)	**$211.3**	**$231.6**	**$260.0**	**$293.0**
Cash Expenditures ($millions)				
Administration	$12.7	$15.4	$15.4	$15.4
Salaries	41.1	44.6	44.5	44.3
Planning	3.0	3.7	3.6	3.5
Sales	17.9	26.4	27.6	28.0
Access	20.4	30.3	29.4	27.5
Silviculture	30.8	38.4	39.3	40.1
Land Base Investment - Expenditures	3.0	10.1	9.1	6.1
Land Base Investment - Recoveries	(3.4)	(11.1)	(10.0)	(6.7)
Total Cash Expenditures	$125.5	$157.8	$158.9	$158.2
Non-Cash Budgets ($millions)				
Amortization – Roads	$29.5	$30.5	$29.6	$29.2
Amortization – Non roads	0.3	0.5	0.5	0.5
Silviculture Liability Expense	31.8	35.0	35.0	35.0
Cost of timber inventory harvested	41.2	59.8	61.2	57.5
Timber Volume Outputs (Mm3)				
Volume Advertised (Offered)	13.4	13.6	14.2	14.5
Volume Sold	11.1	12.4	12.9	13.0
Volume Developed	8.8	12.2	13.3	13.3
Volume Scaled (Harvested)	9.4	11.8	11.8	11.9

Appendix 2 Historical Resource and Performance Summary

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual
Operating Revenues and Expenses ($millions)									
Gross Revenue	$185.7	$266.1	$273.7	$273.7	$243.8	$145.9	$117.0	$133.6	$136.6
Less: Expenses (Capitalized)	(84.7)	(115.9)	(148.9)	(152.7)	(197.8)	(168.8)	(172.4)	(149.1)	(135.3)
Net Revenue (prior to EOI)	$101.0	$150.2	$124.8	$121.0	$46.0	($22.9)	($55.4)	($15.5)	$1.3
Less Extraordinary Item (note 1)					(115.6)				
Net Revenue (Loss)	$101.0	$150.2	$124.8	$121.0	($69.6)	($22.9)	($55.4)	($15.5)	$1.3
Annual Cash Working Capital Expenditures by Activity ($millions)									
Administration & Overhead	$16.2	$19.7	$25.8	$25.0	$31.4	$32.0	$25.4	$11.4	$12.7
Salaries	33.8	39.3	38.6	46.1	45.1	45.6	46.3	42.7	41.1
Planning	-	13.7	8.1	7.3	6.6	5.7	3.3	2.6	3.0
Sales	23.2	30.4	33.6	27.7	29.9	31.0	22.4	15.9	17.9
Access	27.9	40.0	53.1	46.3	44.1	45.4	27.3	18.0	20.4
Silviculture	35.8	39.1	41.9	51.1	59.6	59.6	42.2	30.9	30.8
Forest Investment Account – LBIP	-	-	-	$2.3	3.0	5.7	1.7	(0.2)	(0.4)
Total Working Capital Expenditures	$136.9	$182.2	$201.1	$205.8	$216.7	$224.4	$168.6	$121.3	$125.5
Capital IM/IT and Equipment	$0.7	($0.4)	$0.2	$0.4	$0.4	$0.4	$0.4	$0.1	$0.3
Capital Road Construction	$29.3	$39.7	$51.8	$45.4	$48.8	$44.5	$22.5	$16.9	$29.5
Total Capital Expenditures	$30.0	$39.3	$52.0	$45.8	$49.2	$44.9	$22.9	$17.0	$29.8
TIMBER VOLUME OUTPUTS (millions of cubic metres)									
Volume Advertised (Mm3)	11.2	12.8	16.3	16.7	15.7	16.3	14.7	13.9	13.4
Volume Sold (Mm3)	9.0	11.3	14.3	15.1	11.4	11.4	10.6	11.3	11.1
Volume Developed (Mm3)	12.6	15.4	17.7	14.7	14.9	14.2	11.6	8.9	8.8
Volume Scaled (Mm3)	7.9	10.0	12.9	11.4	13.2	10.5	11.4	10.8	9.4
UNIT COSTS ($/m3)									
Total Capitalized Costs/m3 Harvested	$10.72	$11.59	$11.54	$13.39	$14.76	$16.88	$15.12	$13.81	$14.39
Silviculture Costs/m3 Harvested	$4.56	$3.93	$3.24	$4.48	$4.55	$5.98	$3.70	$2.86	$3.28

Appendix 3 Glossary

Bid Price

The price per cubic metre of timber bid by customers during auctions of Section 20 Timber Sale Licences.

Billed Rate

The average revenue obtained per cubic metre of timber harvested and scaled.

Capitalized Expenses

The total costs associated with developing and selling the timber harvested in the year, post-sale activities such as harvest conformance; post-harvest activities such as silviculture; and period costs such as administrative overhead and road maintenance.

Cash Expenditures

The costs of developing and selling timber inventory for future harvest plus, post-harvest activities such as silviculture, and period costs such as administrative overhead and road maintenance.

Certification

Forest certification is a voluntary tool available to forestry organizations who want to demonstrate corporate responsibility by having their forest management planning and practices independently certified against a sustainable forest management standard that goes beyond regulatory requirements and takes environmental, economic and social values into consideration.

Cruise Based Timber Sale

A competitively auctioned timber sale where the price is a single total price based on the cruise data for the timber sale rather than a price per cubic metre of timber scaled.

Customers

Individuals and/or companies that are registered in the program and others that are not registrants, but rely on BC Timber Sales' timber as an input to production.

Full-time Equivalent (FTE)

The equivalent of one person working 1,827 hours in one year.

Goals

Goals are the ends that BC Timber Sales wants to achieve in fulfilling its mandate and mission. Goals are long-range outcomes that guide an organization's efforts in moving towards a desired future state.

Appendix 3 Glossary

Gross Revenue

The sum of all BC Timber Sales revenue collected from stumpage and annual fees and billings (annual rent, trespass charges, scaling fees and registration fees) incidental to the operation of the program and sale of logs.

Inputs

The resources used by the organization to produce its outputs. The key inputs of BC Timber Sales are its employees, public forests, and the organization's financial, contracted and partnership resources.

Key Outcome Indicators

Key outcome indicators represent key results related to an organization's goals, which often are not directly attributable to its business activities.

Lump Sum Timber Sale Licence

A competitively auctioned timber sale where the price is a single total price rather than a price per cubic metre of timber scaled.

Market Pricing System

The system used in British Columbia to determine the price of Crown timber for major forest tenures, based on market value and cost data from BC Timber Sales.

Mission

Describes the reason for BC Timber Sales' existence. It defines what BC Timber Sales does, why it does it and for whom.

Net Revenue

The remainder of Gross Revenues less Capitalized Expenses.

Objective

A broad time-phased accomplishment required to realize the successful completion of a strategic goal. Objectives are specific statements about desired business results.

Outcomes

Long-term results of the activities and outputs of the organization. Logic models are used to link outcomes to business activities.

Outputs

The deliverables or products produced by the organization. The key outputs of BC Timber Sales are the volumes developed, offered, sold and harvested (scaled).

Appendix 3 Glossary

Volume Managed

The total volume of timber being managed by BC Timber Sales. In addition to Section 20 Auction Timber Sale Licences, this includes volumes associated with legacy tenure types awarded by the Small Business Forest Enterprise Program that are still being managed by BC Timber Sales (e.g. Section 21 Bid Proposal Sales and Non-replaceable Forest Licences).

Volume Offered

The timber volume offered for sale to customers.

Volume Scaled

The volume of timber harvested by BC Timber Sales licensees.

Volume Sold

The volume of timber sold to BC Timber Sales' customers.

Performance Measures

Measurable factors of significant importance to the organization in achieving the strategic goals and objectives. A performance measure is a quantified, time specific measure used to indicate the degree of success the Ministry has in achieving its goals, objectives and strategies.

Strategies

The activities that, by their implementation, will lead to the achievement of an objective.

Targets

Performance targets express pre-set quantifiable performance levels to be attained at a future date.

Upset Price

The starting price for auction bidding on timber sales.

Values

An expression of BC Timber Sales' core principles and fundamental beliefs that inform the organization's management style, organizational principles and rules of personal and organizational behaviour.

Vision

A clear, concise and compelling picture of the organization's preferred future.

Volume Advertised

The timber volume advertised for auction by BC Timber Sales.

Volume Developed

The volume of timber developed as inventory for sale by BC Timber Sales.